

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 DOE-15 H-01 INR-10 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-07
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 /128 W
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P 052247Z MAY 78

FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC PRIORITY 7321
INFO AMCONSUL WINNIPEG POUCH

C O N F I D E N T I A L SECTION 01 OF 02 OTTAWA 02316

DEPARTMENT PASS DOE/IA FOR JOHN TREAT

E.O. 11652: GDS
TAGS: ENRG, CA
SUBJECT: MANITOBA ELECTRICITY EXCHANGES

REF: STATE 111806

1. SUMMARY. CURRENT PROGRESSIVE CONSERVATIVE (PC) GOVERNMENT IN MANITOBA, BARRING THE UNFORESEEN, SHOULD BE IN OFFICE FOR AT LEAST TWO TERMS. EVEN IF TORIES WERE TO STUMBLE, RETURN TO POWER BY NEW DEMOCRATIC PARTY (NDP) WOULD PROBABLY NOT PRODUCE DRAMATIC CHANGES, PARTICULARLY WITH REGARD TO ELECTRICITY EXCHANGES. BOTH PARTIES FIND HYDRO ELECTRIC POWER ONE OF FEW PROMISING AREAS FOR INCREASING PROVINCE'S EXPORT POTENTIAL. BASED ON PROVINCE'S HISTORICALLY GOOD RELATIONS WITH U.S., AS WELL AS PRESENT AND PROJECTED TRENDS, EMBASSY BELIEVES MANITOBA WOULD BE HIGHLY RELIABLE PARTNER SHOULD PROPOSED ELECTRICITY EXCHANGE TAKE PLACE.

2. WHILE UNDER NATIONAL ENERGY BOARD (NEB) REGULATIONS OTHER PROVINCES HAVE RIGHT OF FIRST REFUSAL ON ANY POWER

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EXPORTS FROM MANITOBA, IT IS EXTREMELY UNLIKELY THAT SASKATCHEWAN OR ONTARIO WOULD PROTEST THE EXPORT DURING NEB HEARINGS. FEDERAL ENERGY, MINES AND RESOURCES (EMR) OFFICIALS SAY THAT MANITOBA HAS CONSULTED WITH SASKATCHEWAN AND ONTARIO AND WOULD NOT HAVE PROCEEDED THIS FAR WITHOUT THEIR APPROVAL. FEDERAL GOVERNMENT IS AWARE OF DOE - MANITOBA DISCUSSIONS AND VIEWS THEM AS POSITIVE DEVELOPMENT

FLOWING FROM GOC-USG JOINT STUDY ON ELECTRICITY EXCHANGES.
END SUMMARY.

3. FOLLOWING IS EMBASSY AND CONGEN WINNIPEG ASSESSMENT OF CURRENT POLITICAL SITUATION IN MANITOBA, PROJECTION OF POLITICAL TRENDS AND EVALUATION OF PROVINCE'S RELIABILITY IN PROPOSED ELECTRICITY-EXPORT AGREEMENT REQUESTED PARA 4
REFTEL:

4. CURRENT POLITICAL SITUATION:

--POLITICAL PARTY LABELS ASIDE, PEOPLE OF MANITOBA ARE NOT MUCH DIFFERENT FROM THEIR NEIGHBORS TO THE SOUTH ON THE AMERICAN PRAIRIES. THERE IS AN ABIDING AFFECTION IN MANITOBA FOR THE UNITED STATES. MANITOBA'S VOICE GENERAL APPROVAL FOR FREE TRADE WITH THE U.S., AND LOOK TO THE LARGE AMERICAN MARKET FOR EXPANSION POSSIBILITIES.

--IN OFFICE SINCE OCTOBER 1977, PC GOVERNMENT OF MANITOBA IS VIEWED AS A STEADY, IF UNSPECTACULAR ADMINISTRATION.

5. PROJECTION OF PROVINCIAL POLITICAL TRENDS:

--MOST OBSERVERS BELIEVE THAT, BARRING THE UNFORESEEN, STERLING LYON'S TORIES SHOULD BE IN OFFICE FOR 8 YEARS, AND POSSIBLY LONGER.

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--AS PREMIER, LYON HAS AN IMAGE OF BEING TOUGH, AND SOMEWHAT INSENSITIVE. HE ALSO LETS HIS CABINET MINISTERS FUNCTION (AND PERIODICALLY MALFUNCTION) WITH CONSIDERABLE AUTONOMY. BUT, FROM ALL ACCOUNTS, HIS BUSINESS-LIKE APPROACH TO THE RUNNING OF HIS ADMINISTRATION IS HAVING POSITIVE EFFECTS, AND IT IS OUR IMPRESSION THAT HE IS FIRMLY IN CONTROL.

--THE OPPOSITION NDP LEADERSHIP IS IN DISARRAY. EVEN IF THE TORIES WERE TO STUMBLE, A SCHREYER-LED NDP RETURN TO POWER WOULD PROBABLY NOT PRODUCE DRAMATIC CHANGES, PARTICULARLY WITH REGARD TO ELECTRICITY EXCHANGES. SCHREYER TOLD AMBASSADOR THAT HE FAVORS EXCHANGES.

6. RELIABILITY OF PROVINCE:

--AS LONG AS MANITOBA'S ENERGY NEEDS CONTINUE TO BE MET AT COSTS THAT ARE NOT OUT OF LINE WITH ITS CANADIAN NEIGHBORS, WE SEE NO REASON WHY THE USG COULD NOT RELY ON THE PROVINCE IN AN AGREEMENT TO DEDICATE ELECTRICITY TO THE U.S. FOR A PERIOD OF 15 YEARS. IN ASSESSING MANITOBA'S

EXPORT POTENTIALS, THE PRESENT PC GOVERNMENT HAS FOUND HYDROELECTRIC POWER TO BE ONE OF THE FEW PROMISING AREAS. IT IS ANXIOUS TO TAKE ADVANTAGE OF THAT POTENTIAL, AS WAS THE PREVIOUS GOVERNMENT.

--THE PROVINCE IS LOOKING FOR ELECTRICITY MARKETS IN CANADA, TOO. AT A FIRST MINISTERS CONFERENCE IN OTTAWA IN FEBRUARY, PREMIER LYON CALLED FOR CONSIDERATION OF A NATIONAL POWER GRID TO MAXIMIZE THE FULL POTENTIAL OF CANADA'S ELECTRIC

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C O N F I D E N T I A L SECTION 02 OF 02 OTTAWA 02316

GENERATING CAPACITY. NOTING AN ESTIMATE THAT MANITOBA HAS SOME 5,000 MEGAWATTS OF UNDEVELOPED HYDRO-ELECTRIC CAPACITY, AND A FALLOFF IN POWER USE WITHIN THE PROVINCE, HE SAID NEW MARKETS MUST BE FOUND. HE FURTHERED THIS CONCEPT AT THE WESTERN PREMIERS' CONFERENCE IN APRIL BY PROPOSING FEASIBILITY STUDIES FOR A WESTERN CANADIAN ELECTRIC POWER GENERATION AND DISTRIBUTION GRID.

7. CONCLUSION:

--THUS, WITH MANITOBA LOOKING LATERALLY FOR USERS OF POSSIBLE FUTURE POWER RESOURCES, WE ARE NOT SURPRISED TO FIND THAT U.S. MARKETS ARE ALSO BEING EXPLORED. BASED ON THE PROVINCE'S HISTORICALLY GOOD RELATIONS WITH THE U.S., AS WELL AS PRESENT AND PROJECTED POLITICAL TRENDS, WE BELIEVE MANITOBA WOULD BE A HIGHLY RELIABLE PARTNER SHOULD THIS PROPOSAL FOR ELECTRICITY EXCHANGE COME TO FRUITION.

8. EMBASSY FORESEES NO DIFFICULTY WITH RESPECT TO QUESTIONS RAISED PARA 5 REFTEL. WHILE UNDER PROVISIONS OF NEB ACT

OTHER PROVINCES HAVE RIGHT OF FIRST REFUSAL ON POWER EXPORTS,
IT IS EXTREMELY UNLIKELY THAT SASKATCHEWAN OR ONTARIO WOULD
TRY TO OBSTRUCT MANITOBA ELECTRICITY EXPORTS TO THE UNITED
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STATES DURING HEARING PROCESS.
EMR OFFICIALS TELL US THAT MANITOBA HAS CONSULTED WITH
SASKATCHEWAN AND ONTARIO AND WOULD NOT HAVE PROCEEDED THIS
FAR WITHOUT APPROVAL OF THESE NEIGHBORING PROVINCES. EMR
IS AWARE OF DOE-MANITOBA DISCUSSIONS AND VIEWS THEM AS
POSITIVE DEVELOPMENT NATURALLY FLOWING FROM GOC-USG JOINT
STUDY OF ELECTRICITY EXCHANGES. ENDERS

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